



# Southwest Multi-County Correctional Center

Dickinson, North Dakota

## Audit Report

For the Years Ended  
December 31, 2016 and 2015

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

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For the Years Ended December 31, 2016 and 2015

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**SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER**

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

December 31, 2016 and 2015

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OFFICIALS

December 31, 2016

|                   |                         |
|-------------------|-------------------------|
| Duane Wolf        | President               |
| John Plaggemeyer  | Vice President          |
| Mike Kasian       | Secretary/Treasurer     |
| Kenneth Steiner   | Board Member            |
| Donna Scott       | Board Member            |
| Michael Sonsalla  | Board Member            |
| Scott Steele      | Board Member            |
| Doris Songer      | SWMCCC Operations Admin |
| Rachelle Juntunen | DWCRC Warden            |
| Connie Monson     | Financial Administrator |

December 31, 2015

|                   |                         |
|-------------------|-------------------------|
| Duane Wolf        | President               |
| Kenneth Steiner   | Vice President          |
| Mike Kasian       | Secretary/Treasurer     |
| John Plaggemeyer  | Board Member            |
| Donna Scott       | Board Member            |
| Michael Sonsalla  | Board Member            |
| Scott Steele      | Board Member            |
| Doris Songer      | SWMCCC Operations Admin |
| Rachelle Juntunen | DWCRC Warden            |
| Connie Monson     | Financial Administrator |



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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INDEPENDENT AUDITOR'S REPORT

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Governing Board  
Southwest Multi-County Correctional Center  
Dickinson, North Dakota

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Southwest Multi-County Correctional Center, Dickinson, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Correctional Center's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Southwest Multi-County Correctional Center, Dickinson, North Dakota, as of December 31, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 27 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018 on our consideration of the Southwest Multi-County Correctional Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Multi-County Correctional Center's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
January 18, 2018

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

STATEMENT OF NET POSITION  
December 31, 2016

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|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <u>ASSETS:</u>                                    |                                    |
| Cash and Investments                              | \$ 1,966,259                       |
| Accounts Receivable                               | 714,310                            |
| Other Asset                                       | 90,137                             |
| Capital Assets (not being depreciated):           |                                    |
| Land  | 5,750                              |
| Capital Assets (net of accumulated depreciation): |                                    |
| Buildings   | 2,116,453                          |
| Vehicles  | 69,985                             |
| Building Improvements                             | 1,739,724                          |
| Equipment   | 34,584                             |
| Total Capital Assets                              | <u>\$ 3,966,496</u>                |
| Total Assets                                      | <u>\$ 6,737,202</u>                |
| <u>LIABILITIES:</u>                               |                                    |
| Accounts Payable                                  | \$ 133,184                         |
| Sales Tax Payable                                 | 27                                 |
| State Tax Payable                                 | 11,283                             |
| Salaries Payable                                  | 196,393                            |
| Long-Term Liabilities:                            |                                    |
| Due Within One Year:                              |                                    |
| Compensated Absences                              | 110,643                            |
| Due After One Year:                               |                                    |
| Compensated Absences                              | <u>165,965</u>                     |
| Total Liabilities                                 | <u>\$ 617,495</u>                  |
| <u>NET POSITION:</u>                              |                                    |
| Net Investment in Capital Assets                  | \$ 3,966,496                       |
| Unrestricted                                      | <u>2,153,211</u>                   |
| Total Net Position                                | <u><u>\$ 6,119,707</u></u>         |

The notes to the financial statements are an integral part of this statement.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

| Functions/Programs              | Expenses     | Program Revenues |               | Net (Expense) |
|---------------------------------|--------------|------------------|---------------|---------------|
|                                 |              | Charges for      | Operating     | Revenue and   |
|                                 |              | Services         | Grants and    | Changes in    |
|                                 |              |                  | Contributions | Net Position  |
| <u>Governmental Activities:</u> |              |                  |               |               |
| Public Safety                   | \$ 8,785,549 | \$ 8,326,050     | \$ -          | \$ (459,499)  |
| <u>General Revenues:</u>        |              |                  |               |               |
| Interest Income                 |              |                  |               | \$ 4,460      |
| Miscellaneous Income            |              |                  |               | 389,746       |
| Total General Revenues          |              |                  |               | \$ 394,206    |
| Change in Net Position          |              |                  |               | \$ (65,293)   |
| Net Position - January 1        |              |                  |               | \$ 6,185,000  |
| Net Position - December 31      |              |                  |               | \$ 6,119,707  |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016

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|                                     | <u>ASSETS</u>                        | <u>General</u>      |
|-------------------------------------|--------------------------------------|---------------------|
| Cash and Investments                |                                      | \$ 1,966,259        |
| Accounts Receivable                 |                                      | 714,310             |
| Other Asset                         |                                      | <u>90,137</u>       |
| Total Assets                        |                                      | <u>\$ 2,770,706</u> |
|                                     | <u>LIABILITIES AND FUND BALANCES</u> |                     |
| <u>Liabilities:</u>                 |                                      |                     |
| Accounts Payable                    |                                      | \$ 133,184          |
| Sales Tax Payable                   |                                      | 27                  |
| State Tax Payable                   |                                      | 11,283              |
| Salaries Payable                    |                                      | <u>196,393</u>      |
| Total Liabilities                   |                                      | <u>\$ 340,887</u>   |
| <u>Fund Balances:</u>               |                                      |                     |
| Unassigned                          |                                      | <u>\$ 2,429,819</u> |
| Total Fund Balances                 |                                      | <u>\$ 2,429,819</u> |
| Total Liabilities and Fund Balances |                                      | <u>\$ 2,770,706</u> |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2016

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Total *Fund Balances* for Governmental Funds \$ 2,429,819

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

|                               |                    |           |
|-------------------------------|--------------------|-----------|
| Cost of Capital Assets        | \$ 5,355,315       |           |
| Less Accumulated Depreciation | <u>(1,388,819)</u> | 3,966,496 |

Long-term liabilities applicable to the Center's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:

|                      |                  |
|----------------------|------------------|
| Compensated Absences | <u>(276,608)</u> |
|----------------------|------------------|

|   |                            |
|---|----------------------------|
| Total Net Position of Governmental Activities | <u><u>\$ 6,119,707</u></u> |
|---|----------------------------|

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

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|  | <u>General</u>             |
|--|----------------------------|
| <u>Revenues:</u>                                     |                            |
| Charge for Services                                  | \$ 8,326,050               |
| Interest   | 4,460                      |
| Miscellaneous  | <u>389,746</u>             |
| Total Revenues                                       | <u>\$ 8,720,256</u>        |
| <u>Expenditures:</u>                                 |                            |
| Current:   |                            |
| Public Safety  | <u>\$ 8,665,843</u>        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 54,413</u>           |
| Fund Balance - January 1                             | <u>\$ 2,375,406</u>        |
| Fund Balance - December 31                           | <u><u>\$ 2,429,819</u></u> |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

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Net Change in *Fund Balances* - Total Governmental Funds \$ 54,413

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year.

|                                   |                  |          |
|-----------------------------------|------------------|----------|
| Current Year Capital Outlay       | \$ 50,459        |          |
| Current Year Depreciation Expense | <u>(144,669)</u> | (94,210) |

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

|                                    |  |                 |
|------------------------------------|--|-----------------|
| Net Change in Compensated Absences |  | <u>(25,496)</u> |
|------------------------------------|--|-----------------|

|   |  |                           |
|---|--|---------------------------|
| Change in Net Position of Governmental Activities |  | <u><u>\$ (65,293)</u></u> |
|---|--|---------------------------|

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

STATEMENT OF NET POSITION  
December 31, 2015

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|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b><u>ASSETS:</u></b>                             |                                    |
| Cash and Investments                              | \$ 1,940,037                       |
| Accounts Receivable                               | 719,536                            |
| Other Asset                                       | 58,915                             |
| Capital Assets (not being depreciated):           |                                    |
| Land  | 5,750                              |
| Capital Assets (net of accumulated depreciation): |                                    |
| Buildings   | 2,171,500                          |
| Vehicles  | 75,866                             |
| Building Improvements                             | 1,756,785                          |
| Equipment   | 50,805                             |
| Total Capital Assets                              | <u>\$ 4,060,706</u>                |
| Total Assets                                      | <u>\$ 6,779,194</u>                |
| <b><u>LIABILITIES:</u></b>                        |                                    |
| Accounts Payable                                  | \$ 150,225                         |
| Sales Tax Payable                                 | 51                                 |
| State Tax Payable                                 | 11,347                             |
| Salaries Payable                                  | 181,459                            |
| Long-Term Liabilities:                            |                                    |
| Due Within One Year:                              |                                    |
| Compensated Absences                              | 100,445                            |
| Due After One Year:                               |                                    |
| Compensated Absences                              | <u>150,667</u>                     |
| Total Liabilities                                 | <u>\$ 594,194</u>                  |
| <b><u>NET POSITION:</u></b>                       |                                    |
| Net Investment in Capital Assets                  | \$ 4,060,706                       |
| Unrestricted                                      | <u>2,124,294</u>                   |
| Total Net Position                                | <u><u>\$ 6,185,000</u></u>         |

The notes to the financial statements are an integral part of this statement.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015

| Functions/Programs              | Expenses            | Program Revenues    |               | Net (Expense)       |
|---------------------------------|---------------------|---------------------|---------------|---------------------|
|                                 |                     | Charges for         | Operating     | Revenue and         |
|                                 |                     | Services            | Grants and    | Changes in          |
|                                 |                     |                     | Contributions | Net Position        |
| <u>Governmental Activities:</u> |                     |                     |               |                     |
| Public Safety                   | <u>\$ 8,694,345</u> | <u>\$ 8,018,143</u> | <u>\$ -</u>   | <u>\$ (676,202)</u> |
| <u>General Revenues:</u>        |                     |                     |               |                     |
| Interest Income                 |                     |                     |               | \$ 4,952            |
| Miscellaneous Income            |                     |                     |               | <u>496,366</u>      |
| Total General Revenues          |                     |                     |               | <u>\$ 501,318</u>   |
| Change in Net Position          |                     |                     |               | <u>\$ (174,884)</u> |
| Net Position - January 1        |                     |                     |               | <u>\$ 6,359,884</u> |
| Net Position - December 31      |                     |                     |               | <u>\$ 6,185,000</u> |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015

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|                                     | <u>ASSETS</u>                        | <u>General</u>      |
|-------------------------------------|--------------------------------------|---------------------|
| Cash and Investments                |                                      | \$ 1,940,037        |
| Accounts Receivable                 |                                      | 719,536             |
| Other Asset                         |                                      | <u>58,915</u>       |
| Total Assets                        |                                      | <u>\$ 2,718,488</u> |
|                                     | <u>LIABILITIES AND FUND BALANCES</u> |                     |
| <u>Liabilities:</u>                 |                                      |                     |
| Accounts Payable                    |                                      | \$ 150,225          |
| Sales Tax Payable                   |                                      | 51                  |
| State Tax Payable                   |                                      | 11,347              |
| Salaries Payable                    |                                      | <u>181,459</u>      |
| Total Liabilities                   |                                      | <u>\$ 343,082</u>   |
| <u>Fund Balances:</u>               |                                      |                     |
| Unassigned                          |                                      | <u>\$ 2,375,406</u> |
| Total Fund Balances                 |                                      | <u>\$ 2,375,406</u> |
| Total Liabilities and Fund Balances |                                      | <u>\$ 2,718,488</u> |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2015

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Total *Fund Balances* for Governmental Funds \$ 2,375,406

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

|                               |                    |           |
|-------------------------------|--------------------|-----------|
| Cost of Capital Assets        | \$ 5,311,541       |           |
| Less Accumulated Depreciation | <u>(1,250,835)</u> | 4,060,706 |

Long-term liabilities applicable to the Center's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:

|                      |                  |
|----------------------|------------------|
| Compensated Absences | <u>(251,112)</u> |
|----------------------|------------------|

|   |                            |
|---|----------------------------|
| Total Net Position of Governmental Activities | <u><u>\$ 6,185,000</u></u> |
|---|----------------------------|

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

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|  | <u>General</u>             |
|--|----------------------------|
| <u>Revenues:</u>                                     |                            |
| Charge for Services                                  | \$ 8,018,143               |
| Interest   | 4,952                      |
| Miscellaneous  | <u>496,366</u>             |
| Total Revenues                                       | <u>\$ 8,519,461</u>        |
| <u>Expenditures:</u>                                 |                            |
| Current:   |                            |
| Public Safety  | \$ 8,652,373               |
| Debt Service:  |                            |
| Principal  | <u>45,000</u>              |
| Total Expenditures                                   | <u>\$ 8,697,373</u>        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (177,912)</u>        |
| Fund Balance - January 1                             | <u>\$ 2,553,318</u>        |
| Fund Balance - December 31                           | <u><u>\$ 2,375,406</u></u> |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015

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Net Change in *Fund Balances* - Total Governmental Funds \$ (177,912)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year.

|                                   |                  |          |
|-----------------------------------|------------------|----------|
| Current Year Capital Outlay       | \$ 140,300       |          |
| Current Year Depreciation Expense | <u>(155,450)</u> | (15,150) |

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayment.

|                                   |  |        |
|-----------------------------------|--|--------|
| Repayment of Debt - Loans Payable |  | 45,000 |
|-----------------------------------|--|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

|                                    |  |                 |
|------------------------------------|--|-----------------|
| Net Change in Compensated Absences |  | <u>(26,822)</u> |
|------------------------------------|--|-----------------|

|   |  |                            |
|---|--|----------------------------|
| Change in Net Position of Governmental Activities |  | <u><u>\$ (174,884)</u></u> |
|---|--|----------------------------|

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2016 and 2015

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|                      | <u>2016</u>       | <u>2015</u>       |
|----------------------|-------------------|-------------------|
| <u>Assets:</u>       |                   |                   |
| Cash and Investments | \$ 283,122        | \$ 283,407        |
| Other Asset          | <u>2,424</u>      | <u>1,395</u>      |
| Total Assets         | <u>\$ 285,546</u> | <u>\$ 284,802</u> |
| <u>Liabilities:</u>  |                   |                   |
| Due to Inmates       | <u>\$ 285,546</u> | <u>\$ 284,802</u> |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Southwest Multi-County Correctional Center, Dickinson, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The accompanying financial statements present the activities of the Southwest Multi-County Correctional Center. The enforcement center has considered all potential component units for which the enforcement center is financially accountable, and other organizations for which the nature and significance of their relationship with the enforcement center are such that exclusion would cause the enforcement center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Southwest Multi-County Correctional Center to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Southwest Multi-County Correctional Center.

As required by generally accepted accounting principles, the financial statements of the reporting entity include only the Southwest Multi-County Correctional Center (the primary government), as there are no component units. The Southwest Multi-County Correctional Center is a joint venture of Billings, Bowman, Golden Valley, Dunn, Hettinger, Slope, and Stark Counties. Cities include Belfield, Killdeer, Medora, and Dickinson.

**B. Basis of Presentation**

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, the Southwest Multi-County Correctional Center. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through charges for services for housing prisoners, intergovernmental revenue, and miscellaneous revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Correctional Center's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the entity's funds. Separate financial statements are provided for the governmental fund. The emphasis of fund financial statements is on the major governmental fund.

The Correctional Center reports the following major governmental fund:

*General Fund.* This is the center's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Correctional Center reports the following fund type:

*Agency Fund.* This fund accounts for assets held by the center in a custodial capacity as an agent on behalf of others. The center's agency fund is used to account for activity at the jail commissary.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Correctional Center gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Correctional Center considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Center funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is unrestricted net position available to finance the program. It is the Correctional Center's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the Correctional Center's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Cash and Investments**

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

Investments of the Correctional Center consist of certificates of deposit and are stated at cost.

**E. Capital Assets**

Capital assets include land, buildings and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of \$5,000. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of is not capitalized.

Capital assets are depreciated using the straight line method with the following estimated useful lives:

|                       |            |
|-----------------------|------------|
| Buildings             | 50 years   |
| Building Improvements | 50 years   |
| Vehicles              | 5 years    |
| Equipment             | 5-20 years |

**F. Compensated Absences**

Full-time employees are granted vacation benefits from 8 to 16 hours per month depending on tenure with the Center. Upon termination of employment, employees will be paid for vacation benefits that have been accrued to a maximum of 240 hours. Sick leave benefits accrue at the rate of 8 hours per month. Unused sick leave benefits are allowed to carry over from year to year with no cap. Upon termination of employment or retirement after 10 years of consecutive employment, sick leave benefits will be compensated at a rate of one hour for every 4 hours of unused sick leave.

**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

**H. Fund Balances / Net Position**

**Fund Balance**

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

**Fund Balance Spending Policy**

It is the policy of the Southwest Multi-County Correctional Center to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

**SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER**  
Notes to the Financial Statements - Continued

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

| <b>CLASSIFICATION</b> | <b>DEFINITION</b>   | <b>EXAMPLES</b>   |
|-----------------------|---|---|
| Non-spendable         | Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.  | Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.  |
| Restricted            | Fund balance is reported as restricted when constraints are placed on the use of resources that are either<br>(a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.<br>(b) Imposed by law through constitutional provisions or enabling legislation.   | Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose. |
| Committed             | A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.  | By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.       |
| Assigned              | Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.   | By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.       |
| Unassigned            | Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.<br>(a) The General Fund is the only fund that can report a positive unassigned fund balance;<br>(b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes report a positive unassigned fund balance. | Available for any remaining general fund expenditure.   |

Southwest Multi-County Correctional Center did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2016 and 2015.

Unassigned Fund Balances – consist of the following item at December 31, 2016 and 2015

Unassigned fund balance consists entirely of amounts related to the general fund. The unassigned fund balance is available to meet the entity's ongoing obligations.

**Net Position**

When both unrestricted and restricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

## SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

### Notes to the Financial Statements - Continued

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Unrestricted net position is primarily unrestricted amounts related to the general fund governmental activities. The unrestricted net position is available to meet the entity's ongoing obligations.

Net investment in capital assets is reported for capital assets less accumulated depreciation. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

#### NOTE 2: DEPOSITS

In accordance with North Dakota Statutes, the Southwest Multi-County Correctional Center maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any city, township, school, park, Law Enforcement Center, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2016, the Southwest Multi-County Correctional Center's carrying amount of deposits was \$2,249,381 and the bank balances totaled \$2,646,772. Of the bank balances, \$856,346 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2015, the Southwest Multi-County Correctional Center's carrying amount of deposits was \$2,223,444 and the bank balances totaled \$2,579,374. Of the bank balances, \$857,668 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk:

The Southwest Multi-County Correctional Center may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

**SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER**  
Notes to the Financial Statements - Continued

Concentration of Credit Risk:

As of December 31, 2016 and 2015, the correctional center had certificates of deposit totaling \$1,352,454 and \$1,348,621 respectively, all of which were considered deposits.

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due from other entities for services performed during the years ending December 31, 2016 and 2015.

**NOTE 4: OTHER ASSET**

The other asset consists of the Southwest Multi-County Correctional Center's portion of the Dickinson Law Enforcement Center fund. There is an agreement between the Correctional Center, City, and County to contribute funds to the Dickinson Law Enforcement Center. As of December 31, 2016, the other asset balance is not guaranteed to be returned to each entity in full.

**NOTE 5: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2016 for the primary government:

| <b>Primary Government:</b>                         | <b>Balance<br/>January 1</b> | <b>Increases</b>   | <b>Decreases</b> | <b>Transfers</b> | <b>Balance<br/>December 31</b> |
|--|------------------------------|--------------------|------------------|------------------|--------------------------------|
| <i>Capital assets not being depreciated:</i>       |                              |                    |                  |                  |                                |
| Land   | \$ 5,750                     | \$ -               | \$ -             | \$ -             | \$ 5,750                       |
| <i>Capital assets, being depreciated:</i>          |                              |                    |                  |                  |                                |
| Building Improvements                              | \$ 1,941,768                 | \$ 22,219          | \$ -             | \$ -             | \$ 1,963,987                   |
| Buildings  | 2,752,345                    | -                  | -                | -                | 2,752,345                      |
| Vehicles   | 249,530                      | 28,240             | 6,684            | -                | 271,086                        |
| Equipment  | 362,148                      | -                  | -                | -                | 362,148                        |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>\$ 5,305,791</b>          | <b>\$ 50,459</b>   | <b>\$ 6,684</b>  | <b>\$ -</b>      | <b>\$ 5,349,566</b>            |
| <i>Less accumulated depreciation for:</i>          |                              |                    |                  |                  |                                |
| Building Improvements                              | \$ 184,983                   | \$ 39,280          | \$ -             | \$ -             | \$ 224,263                     |
| Buildings  | 580,845                      | 55,047             | -                | -                | 635,892                        |
| Vehicles   | 173,664                      | 34,121             | 6,684            | -                | 201,101                        |
| Equipment  | 311,343                      | 16,221             | -                | -                | 327,564                        |
| <b>Total Accumulated Depreciation</b>              | <b>\$ 1,250,835</b>          | <b>\$ 144,669</b>  | <b>\$ 6,684</b>  | <b>\$ -</b>      | <b>\$ 1,388,820</b>            |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$ 4,054,956</b>          | <b>\$ (94,210)</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 3,960,746</b>            |
| <b>Governmental Activities-Capital Assets, Net</b> | <b>\$ 4,060,706</b>          | <b>\$ (94,210)</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 3,966,496</b>            |

**SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER**

Notes to the Financial Statements - Continued

The following is a summary of changes in capital assets for the year ended December 31, 2015 for the primary government:

| <b>Primary Government:</b>                         | <b>Balance<br/>January 1</b> | <b>Increases</b>   | <b>Decreases</b> | <b>Transfers</b> | <b>Balance<br/>December 31</b> |
|--|------------------------------|--------------------|------------------|------------------|--------------------------------|
| <i>Capital assets not being depreciated:</i>       |                              |                    |                  |                  |                                |
| Land   | \$ 5,750                     | \$ -               | \$ -             | \$ -             | \$ 5,750                       |
| <i>Capital assets, being depreciated:</i>          |                              |                    |                  |                  |                                |
| Building Improvements                              | \$ 1,866,753                 | \$ 75,015          | \$ -             | \$ -             | \$ 1,941,768                   |
| Buildings  | 2,752,345                    | -                  | -                | -                | 2,752,345                      |
| Vehicles   | 201,731                      | 47,799             | -                | -                | 249,530                        |
| Equipment  | 362,776                      | 17,486             | 18,114           | -                | 362,148                        |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>\$ 5,183,605</b>          | <b>\$ 140,300</b>  | <b>\$ 18,114</b> | <b>\$ -</b>      | <b>\$ 5,305,791</b>            |
| <i>Less accumulated depreciation for:</i>          |                              |                    |                  |                  |                                |
| Building Improvements                              | \$ 146,147                   | \$ 38,836          | \$ -             | \$ -             | \$ 184,983                     |
| Buildings  | 525,798                      | 55,047             | -                | -                | 580,845                        |
| Vehicles   | 128,318                      | 45,346             | -                | -                | 173,664                        |
| Equipment  | 313,236                      | 16,221             | 18,114           | -                | 311,343                        |
| <b>Total Accumulated Depreciation</b>              | <b>\$ 1,113,499</b>          | <b>\$ 155,450</b>  | <b>\$ 18,114</b> | <b>\$ -</b>      | <b>\$ 1,250,835</b>            |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$ 4,070,106</b>          | <b>\$ (15,150)</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 4,054,956</b>            |
| <b>Governmental Activities-Capital Assets, Net</b> | <b>\$ 4,075,856</b>          | <b>\$ (15,150)</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 4,060,706</b>            |

Depreciation expense totaling \$144,669 and \$155,450 for the years ending December 31, 2016 and 2015, respectively, was charged to the Public Safety function.

**NOTE 6: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2016 and 2015, and chargeable to appropriations for the years then ended, but paid subsequent to that date.

**NOTE 7: SALES TAX PAYABLE**

Sales tax payable consists of amounts due to the ND Office of the Tax Commissioner at year-end 2016 and 2015 for sales tax remittance for the years then ended, but paid subsequent to that date.

**NOTE 8: STATE TAX PAYABLE**

State tax payable consists of amounts due to the ND Office of the Tax Commissioner at year-end 2016 and 2015 for state income tax withheld for the years then ended, but paid subsequent to that date.

**NOTE 9: SALARIES PAYABLE**

Salaries payable consists of amounts due employees at year-end 2016 and 2015 for employment services performed prior to those dates, and chargeable to appropriations for the years then ended, but paid subsequent to that date.

**NOTE 10: LONG-TERM LIABILITIES**

Primary Government:

**Changes in Long-Term Liabilities** - During the year ended December 31, 2016, the following changes occurred in governmental activities long-term liabilities for the primary government:

| <b>Primary Government</b> | <b>Balance<br/>January 1</b> | <b>Increases</b> | <b>Decreases</b> | <b>Balance<br/>December 31</b> | <b>Due Within<br/>One Year</b> |
|---------------------------|------------------------------|------------------|------------------|--------------------------------|--------------------------------|
| Compensated Absences *    | \$ 251,112                   | \$ 25,496        | \$ -             | \$ 276,608                     | \$ 110,643                     |

**SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER**  
 Notes to the Financial Statements - Continued

During the year ended December 31, 2015, the following changes occurred in governmental activities long-term liabilities for the primary government:

| Primary Government            | Balance<br>January 1 | Increases | Decreases | Balance<br>December 31 | Due Within<br>One Year |
|-------------------------------|----------------------|-----------|-----------|------------------------|------------------------|
| Loans Payable                 | \$ 45,000            | \$ -      | \$ 45,000 | \$ -                   | \$ -                   |
| Compensated Absences *        | 224,290              | 26,822    | -         | 251,112                | 100,445                |
| Total Governmental Activities | \$ 269,290           | \$ 26,822 | \$ 45,000 | \$ 251,112             | \$ 100,445             |

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Operating Lease Payments:

The Southwest Multi-County Correctional Center has entered into two operating leases for postage machines with Pitney Bowes. The payments left on the lease at 12-31-2016 total \$1,573. Payments made on operating leases totaled \$1,269 for 2016 and \$1,269 for 2015.

Future minimum lease payments are as follows:

| Year Ending<br>December 31 | Amount   |
|----------------------------|----------|
| 2017                       | \$ 1,269 |
| 2018                       | 304      |
| Totals                     | \$ 1,573 |

**NOTE 11: RISK MANAGEMENT**

The Southwest Multi-County Correctional Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Southwest Multi-County Correctional Center pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, two million dollars per occurrence for automobile, and \$194,165 for mobile equipment and portable property.

The Southwest Multi-County Correctional Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Correctional Center pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Correctional Center with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Southwest Multi-County Correctional Center has workers compensation with the North Dakota Workforce Safety and Insurance. The Correctional Center provides health insurance for its employees through Blue Cross/Blue Shield of North Dakota, and pays up to \$1,061 per month premium for all full-time employees as of December 31, 2016. Part time employees receive a single plan after one year and 1,200 hours of employment.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 12: RETIREMENT PLAN**

The correctional center provides pension benefits for all full-time employees through a defined contribution plan administered by American State Bank and Trust Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan after 1 full year of service. The correctional center pays 6% of the employee's salary each month. The employee will contribute a mandatory 2% and the correctional center matches that amount by 4%. Each employee may contribute up to 8% in additional contributions in the voluntary after-tax contribution plan.

The Southwest Multi-County Correctional Center's contributions for the years ended December 31, 2016, 2015 and 2014 were \$373,247, \$329,670, and \$281,645, respectively.

**NOTE 13: JOINT VENTURE**

**Dickinson Law Enforcement Center**

South West Multi-County Correctional Center entered into a joint venture for the maintenance of the Dickinson Law Enforcement Center with the City of Dickinson and Stark County. Each entity appoints two members to the law enforcement center board. Each participating entity's share of the cost of operations is determined by the relative amount of space occupied by each.

The following information as of and for the year ended December 31, 2016, the most current information available, is as follows:

**GOVERNMENTAL ACTIVITIES**

|                        |                   |
|------------------------|-------------------|
| Total Assets           | \$232,316         |
| Total Liabilities      | <u>140,228</u>    |
| Net Position           | <u>\$ 92,088</u>  |
| Revenues               | \$632,575         |
| Expenses               | <u>661,616</u>    |
| Change in Net Position | <u>\$(29,041)</u> |

Complete financial statements may be obtained from Southwest Multi-County Correction Center, 66 Museum Drive, Dickinson, ND 58601.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2016

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| <u>Revenues:</u>                                     |                     |                     |                     |                               |
| Charge for Services                                  | \$ 8,418,689        | \$ 8,418,689        | \$ 8,326,050        | \$ (92,639)                   |
| Interest   | 4,500               | 4,500               | 4,460               | (40)                          |
| Miscellaneous  | 469,675             | 469,675             | 389,746             | (79,929)                      |
| Total Revenues                                       | <u>\$ 8,892,864</u> | <u>\$ 8,892,864</u> | <u>\$ 8,720,256</u> | <u>\$ (172,608)</u>           |
| <u>Expenditures:</u>                                 |                     |                     |                     |                               |
| Current:   |                     |                     |                     |                               |
| Public Safety  | <u>\$ 9,365,235</u> | <u>\$ 9,365,235</u> | <u>\$ 8,665,843</u> | <u>\$ 699,392</u>             |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (472,371)</u> | <u>\$ (472,371)</u> | <u>\$ 54,413</u>    | <u>\$ 526,784</u>             |
| Net Change in Fund Balances                          | <u>\$ 9,365,235</u> | <u>\$ 9,365,235</u> | <u>\$ 54,413</u>    | <u>\$ 526,784</u>             |
| Fund Balance - January 1                             | <u>\$ 2,619,035</u> | <u>\$ 2,619,035</u> | <u>\$ 2,375,406</u> | <u>\$ (243,629)</u>           |
| Fund Balance - December 31                           | <u>\$ 2,146,664</u> | <u>\$ 2,146,664</u> | <u>\$ 2,429,819</u> | <u>\$ 283,155</u>             |

The notes to the financial statements are an integral part of this statement.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2015

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| <u>Revenues:</u>                                     |                     |                     |                     |                               |
| Charge for Services                                  | \$ 7,218,076        | \$ 7,218,076        | \$ 8,018,143        | \$ 800,067                    |
| Interest   | 4,500               | 4,500               | 4,952               | 452                           |
| Miscellaneous  | 540,345             | 540,345             | 496,366             | (43,979)                      |
| Total Revenues                                       | <u>\$ 7,762,921</u> | <u>\$ 7,762,921</u> | <u>\$ 8,519,461</u> | <u>\$ 756,540</u>             |
| <u>Expenditures:</u>                                 |                     |                     |                     |                               |
| Current:   |                     |                     |                     |                               |
| Public Safety  | \$ 7,652,204        | \$ 7,652,204        | \$ 8,652,373        | \$ (1,000,169)                |
| Debt Service:  |                     |                     |                     |                               |
| Principal  | 45,000              | 45,000              | 45,000              | -                             |
| Total Expenditures                                   | <u>\$ 7,697,204</u> | <u>\$ 7,697,204</u> | <u>\$ 8,697,373</u> | <u>\$ (1,000,169)</u>         |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 65,717</u>    | <u>\$ 65,717</u>    | <u>\$ (177,912)</u> | <u>\$ (243,629)</u>           |
| Net Change in Fund Balances                          | <u>\$ 7,697,204</u> | <u>\$ 7,697,204</u> | <u>\$ (177,912)</u> | <u>\$ (243,629)</u>           |
| Fund Balance - January 1                             | <u>\$ 2,553,318</u> | <u>\$ 2,553,318</u> | <u>\$ 2,553,318</u> | <u>\$ -</u>                   |
| Fund Balance - December 31                           | <u>\$ 2,619,035</u> | <u>\$ 2,619,035</u> | <u>\$ 2,375,406</u> | <u>\$ (243,629)</u>           |

The notes to the financial statements are an integral part of this statement.

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2016 and 2015

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**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) and in state law for the general fund. A budgetary comparison schedule is presented for the general fund.

- The correctional center adopts an “appropriated budget” on the modified accrual basis of accounting.
- Each budget is controlled by the correctional center financial administrator at the revenue and expenditure function/object level.
- All appropriations lapse at year-end.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

SCHEDULE OF FUND ACTIVITY  
For the Year Ended December 31, 2016

|                      | Balance<br>1-1-16 | Receipts      | Transfers<br>In | Transfers<br>Out | Disbursements | Balance<br>12-31-16 |
|----------------------|-------------------|---------------|-----------------|------------------|---------------|---------------------|
| <u>Major Fund:</u>   |                   |               |                 |                  |               |                     |
| General Fund         | \$ 2,375,406      | \$ 8,720,256  | \$ -            | \$ -             | \$ 8,665,843  | \$ 2,429,819        |
| <u>Agency Funds:</u> |                   |               |                 |                  |               |                     |
| SWCCC- Commissary    | \$ 85,944         | \$ 959,717    | \$ -            | \$ -             | \$ 943,037    | \$ 102,624          |
| SWMCCC - Bonds       | -                 | 807,510       | -               | -                | 807,510       | -                   |
| DWCRC- Commissary    | 198,858           | 480,020       | -               | -                | 495,955       | 182,923             |
| Total Agency         | \$ 284,802        | \$ 2,247,247  | \$ -            | \$ -             | \$ 2,246,502  | \$ 285,547          |
| Total All Funds      | \$ 2,660,208      | \$ 10,967,503 | \$ -            | \$ -             | \$ 10,912,345 | \$ 2,715,366        |

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

SCHEDULE OF FUND ACTIVITY  
For the Year Ended December 31, 2015

|                     | Balance<br>1-1-15 | Receipts      | Transfers<br>In | Transfers<br>Out | Disbursements | Balance<br>12-31-15 |
|---------------------|-------------------|---------------|-----------------|------------------|---------------|---------------------|
| <u>Major Fund:</u>  |                   |               |                 |                  |               |                     |
| General Fund        | \$ 2,553,318      | \$ 8,519,462  | \$ -            | \$ -             | \$ 8,697,374  | \$ 2,375,406        |
| <u>Agency Fund:</u> |                   |               |                 |                  |               |                     |
| SWCCC- Commissary   | \$ 78,863         | \$ 417,426    | \$ -            | \$ -             | \$ 410,345    | \$ 85,944           |
| SWMCCC - Bonds      | -                 | 807,510       | -               | -                | 807,510       | -                   |
| DWCRC- Commissary   | 220,397           | 643,143       | -               | -                | 664,682       | 198,858             |
| Total Agency        | \$ 299,260        | \$ 1,868,079  | \$ -            | \$ -             | \$ 1,882,537  | \$ 284,802          |
| Total All Funds     | \$ 2,852,578      | \$ 10,387,541 | \$ -            | \$ -             | \$ 10,579,911 | \$ 2,660,208        |



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
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BISMARCK, NORTH DAKOTA 58505

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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Governing Board  
Southwest Multi-County Correctional Center  
Dickinson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Southwest Multi-County Correctional Center, Dickinson, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Southwest Multi-County Correctional Center's basic financial statements, and have issued our report thereon dated January 18, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Southwest Multi-County Correctional Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southwest Multi-County Correctional Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Multi-County Correctional Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Southwest Multi-County Correctional Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
January 18, 2018

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER  
Dickinson, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Years Ended December 31, 2016 and 2015

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**Section I - Summary of Auditor's Results**

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Financial Statements

|                         |            |
|-------------------------|------------|
| Type of Report Issued?  |            |
| Governmental Activities | Unmodified |
| Major Fund              | Unmodified |

Internal control over financial reporting:

|   |                   |                         |
|---|-------------------|-------------------------|
| Material weaknesses identified  | <u>      </u> Yes | <u>  X  </u> None noted |
| Significant deficiencies identified not considered to be material weaknesses? | <u>      </u> Yes | <u>  X  </u> None noted |
| Noncompliance material to financial statements noted?                         | <u>      </u> Yes | <u>  X  </u> None noted |

**Section II - Financial Statement Findings**

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No matters reported.

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Division of Local Government Audit

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